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**The Vote Solar Initiative
The Intermountain Combined Heat and Power Application Center
The Southwest Energy Efficiency Project
The Greater Tucson Coalition for Solar Energy
The Arizona Solar Energy Industry Association**

**Distributed Generation Workshop: Interconnection Issues
Docket No. E-00000A-99-0431**

Arizona Corporation Commission
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Submitted on behalf of the listed organizations by:

July 7, 2005

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**Recommendations on Interconnection Issues
Distributed Generation Workshop
Docket No. E-00000A-99-0431**

We thank the Commission for initiating this workshop proceeding, and look forward to helping the Commission develop the proper regulatory infrastructure for the safe proliferation of distributed generation technologies.

On the subject of interconnection standards, we would like to make the recommendation that in addition to the Texas interconnection standard, the Federal Energy Regulatory Commission's (FERC) recently promulgated standards¹ for small generators, issued May 12, 2005, be considered centrally in this proceeding. There are two main reasons why the FERC ruling will be helpful in developing standards for Arizona. The FERC rule builds upon the Texas standards and represents the current state of the art, and having state standards harmonized with the federal rule will make life easier for all involved parties—generators, utilities, and the Commission—by promoting consistency and simplifying jurisdictional issues.

The FERC Small Generator Interconnection Procedures and the Small Generation Interconnection Agreement can be found at:

<http://www.ferc.gov/industries/electric/indus-act/gi/small-gen.asp>

FERC Standard Built on the Texas Rule

The FERC standard is an improvement upon the Texas rule. When developing their standard, the FERC began in 2001² with the Texas interconnection rule of 1999 as a strawman—as is contemplated in this proceeding—and spent four years, in collaboration with parties representing utilities, state utility commissions, electric cooperatives and small generators, developing consensus improvements. The final product is the aggregation of best practices at the state and federal level, and represents the current state of the art. In many respects, the FERC standard is the culmination of what the Commission hopes to achieve.

Parties filing consensus recommendations (which were largely adopted) to the FERC standard include the National Association of Regulatory Utility Commissioners (NARUC), the Small Generator Coalition (SGC), the National Rural Electric Cooperative Association (NRECA), and the Edison Electric Institute. That stakeholders representing such a broad scope of interests were able to come to consensus speaks to the strength of the FERC rule, and it is our hope that consideration of the work already done and the consensus already reached will expedite the Commission's work.

Conforming Standards Helpful for All Parties

It is to the benefit of all parties for Arizona to have state standards that are largely consistent with the federal rule. For manufacturers, harmonized standards means that equipment can be built for national markets, bringing down costs. For generators, it means reduced confusion, increased compliance, and lower costs. Utilities and the Commission stand to benefit by making jurisdictional issues largely moot, as well as the assurance of having safety considerations broadly vetted.

¹ Found at: <http://www.ferc.gov/EventCalendar/Files/20050512110357-order2006.pdf>

² See Advanced Notice of Proposed Rulemaking of October 2001.

The FERC makes this point very well in its ruling. From paragraph 4 of the Final Rule: "We conclude that general consistency between the Commission's interconnection procedures document and interconnection agreement adopted in this Final Rule and those of the states will be helpful in removing roadblocks to the interconnection of Small Generating Facilities. To a large extent, this Final Rule harmonizes state and federal practices by adopting many of the best practices interconnection rules recommended by the National Association of Regulatory Utility Commissioners (NARUC). By doing so, we hope to minimize the federal-state division and promote consistent, nationwide interconnection rules. We hope that states that do not have interconnection rules for small generators will look to the documents presented in this final rule as guides for their own."

ISSUES THAT FERC DOES NOT RESOLVE

There are several subjects that the FERC standard does not address, including interconnection to distribution networks and insurance requirements. On these subjects, we believe that New Jersey's standards represent the state of the art, and bear consideration in this process.

ADDITIONAL CONSIDERATIONS

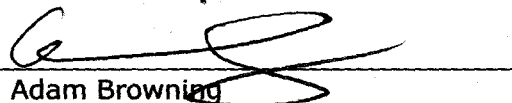
We also suggest the Workgroup accelerate its consideration of net metering, either in conjunction with rate design, or consolidated with interconnection. There is precedent for the latter approach in the New Jersey standard. The standard can be found at:

www.state.nj.us/bpu/wwwroot/secretary/NetMeteringInterconnectionRules.pdf

RESPECTFULLY SUBMITTED this 7th day of July 2005.

On behalf of:
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